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MEMORANDUM

TO: Legislative Oversight Committee
Local CFAC Chairs
NC Council of Community Programs
County Managers
State Facility Directors
LME Board Chairs
Advocacy Organizations
MH/DD/SAS Professional and Stakeholder Organizations
NC Association of County DSS Directors
Commission for MH/DD/SAS
State CFAC
NC Assoc. of County Commissioners
County Board Chairs
LME Directors
DHHS Division Directors
Provider Organizations

FROM: Allen Dobson, MD *L. Allen Dobson MD*
Mike Moseley *mm lw*

SUBJECT: Implementation Update #28: DHHS Rate Review Board Revisits CS Rates

Officials with the North Carolina Department of Health and Human Services today announced a final Medicaid rate to cover the reimbursement of Community Support (CS) services for people with mental health and substance abuse issues. The rate, \$51.28 per hour for children and adult services and \$16.48 per hour for group services, is based on a cost analysis of services. They are effective retroactive to April 5.

Our thanks to the 16 providers – chosen by LMEs and provider trade associations – who worked with us to develop this rate. These providers helped us determine a rate that more accurately reflects actual service costs. In the past few weeks, Division of Medical Assistance staff spent a great deal of time with these providers – reviewing their cost data. We met several times with this group. This morning we reviewed the new rate with that group before it was presented to the DHHS Rate Review Board.

We do want to explain what's happened with the CS rate in the past few months. Earlier this year, we noticed a major increase in the use of CS services. By the end of March, CS was the single largest Medicaid service – outpacing payments for hospitals, physicians and prescription drugs.

When we first noticed this phenomenon, we did a service audit of 167 providers who were billing large amount of CS services per consumer. That audit showed that those providers were using paraprofessional staff to deliver 98 percent of the services, not the 75 percent that had been factored into the original rate. Based on that service audit, we felt it was appropriate to reduce the rate to \$40 per hour.

At the same time as that activity, we were already working with the 16 providers on an analysis of their services based on actual cost reports. We expedited that review. Based on that review, we now have better data on which to base the CS rate.

In 2008, we will review the rate again – using cost reports from all providers. We are concerned that many providers may not have the expertise to develop cost reports. To that end, we will work with providers to provide training in the development of cost reports. Undergoing that training will be a requirement for any provider wishing to provide CS.

We look forward to working with all of the CS providers in the next year to reach our common goal – ensuring that North Carolinians with mental health and substance abuse issues receive the services they need to be a productive part of their community.

CC: Secretary Carmen Hooker Odom
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